



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

OFFICE OF
CHIEF COUNSEL

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INTERNAL REVENUE SERVICE NATIONAL OFFICE STRATEGIC ADVICE

MEMORANDUM FOR ASSOCIATE AREA COUNSEL, LMSB:NR, AREA 4

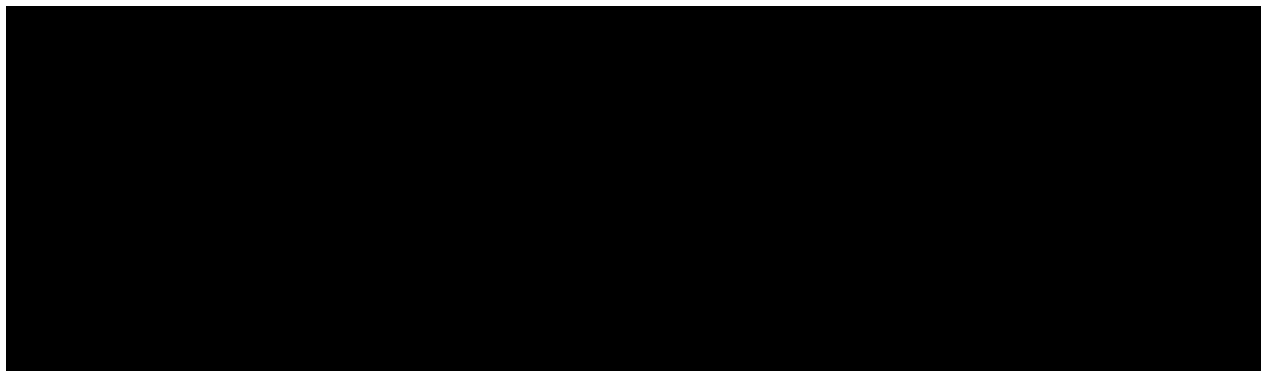
FROM: LON B. SMITH
Associate Chief Counsel (Financial Institutions and Products)
CC:FIP

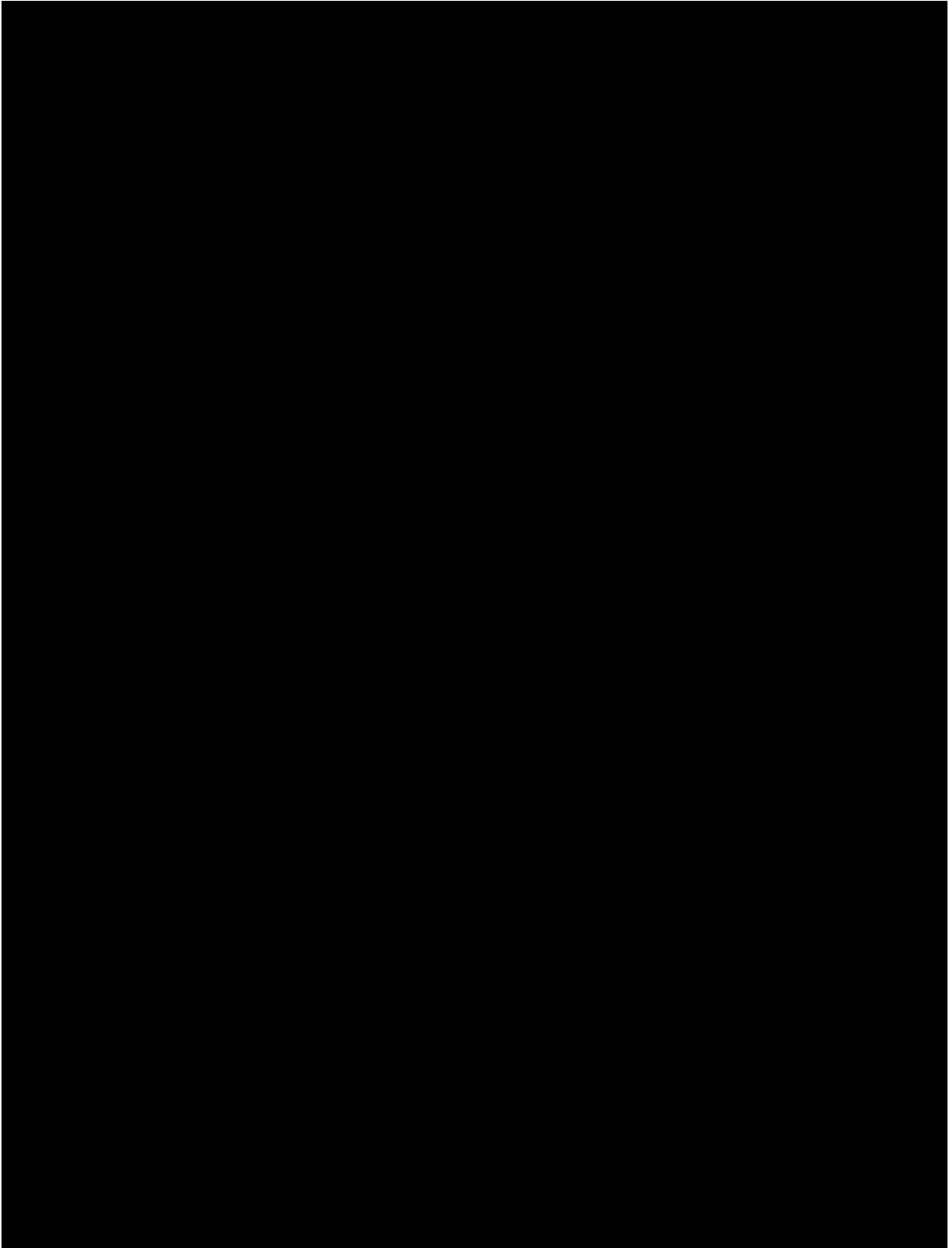
SUBJECT:

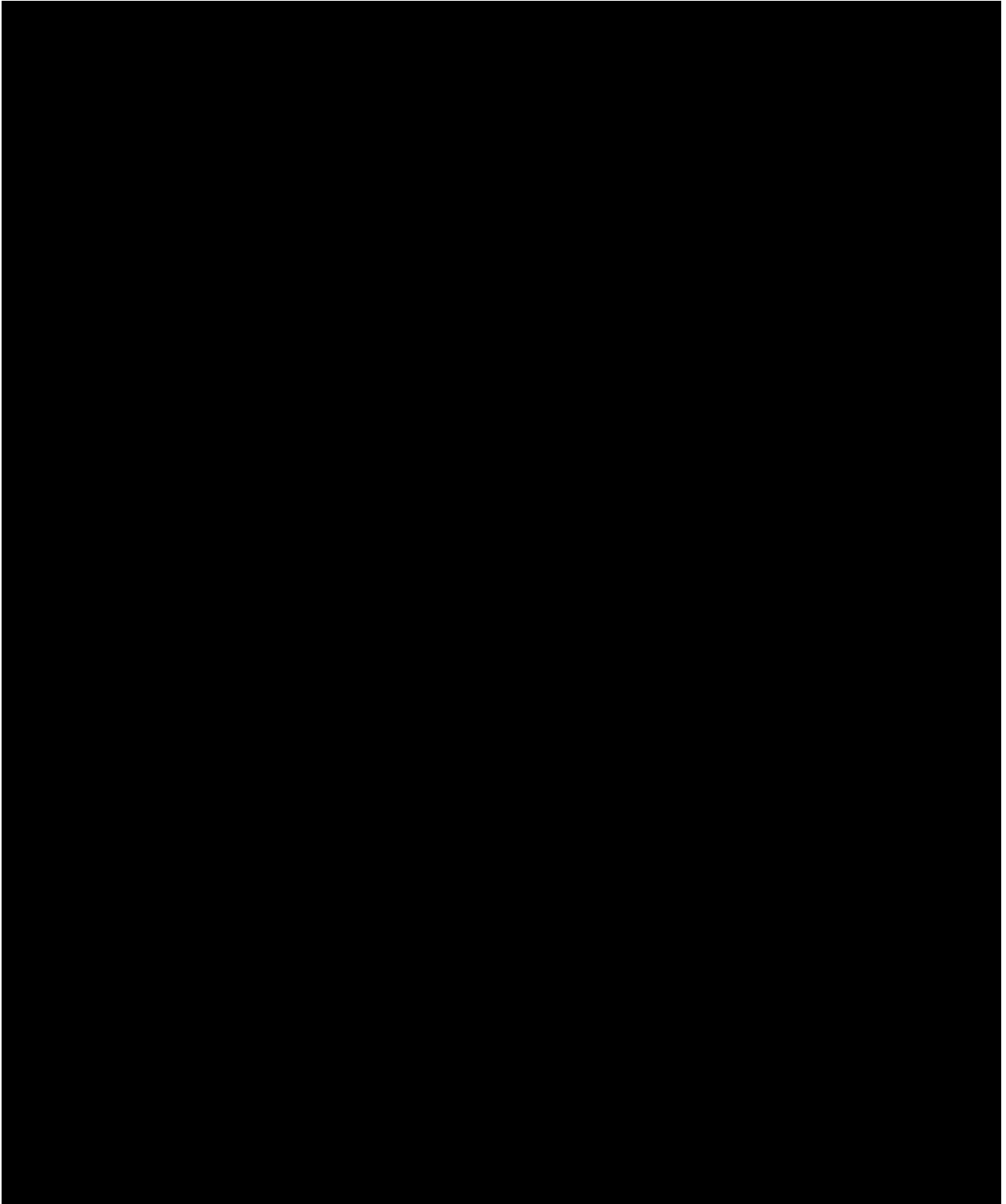
This memorandum responds to your request for advice in the above-referenced case. Specifically, you ask two questions. First, what are the litigation hazards in arguing that an original manufacturer's warranty cannot be the subject of insurance for income tax purposes, and that premiums for such insurance are therefore not presently deductible? Second, if an original manufacturer's warranty can be the subject of insurance, what additional facts should be developed in this case to determine whether the purported insurance arrangements should nevertheless be challenged?

We have read the facts and considered the analysis set forth in your request for advice. The following paragraphs summarize our thoughts on the litigation hazards and factual development of this case.

CASE DEVELOPMENT, HAZARDS AND OTHER CONSIDERATIONS







[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Please call [REDACTED] at [REDACTED] if you have any further questions.
With respect to the last item dealing [REDACTED]
you may also contact [REDACTED] of the Office of the Associate Chief Counsel
(Corporate) at [REDACTED].

Associate Chief Counsel
(Financial Institutions & Products)

By: _____/S/_____
MARK SMITH
Chief, CC:FIP:4